

UK Renewable HoldCo 1 Limited

**Consolidated Annual Report and
Financial Statements**

For the year ended 31 December 2017

Registration number: 09775646



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Strategic Report

for the year ended 31 December 2017

The directors present their annual report on the affairs of UK Renewable HoldCo 1 Limited, together with the financial statements and auditor's report, for the year ended 31 December 2017 and prior 443 day period ended 31 December 2016.

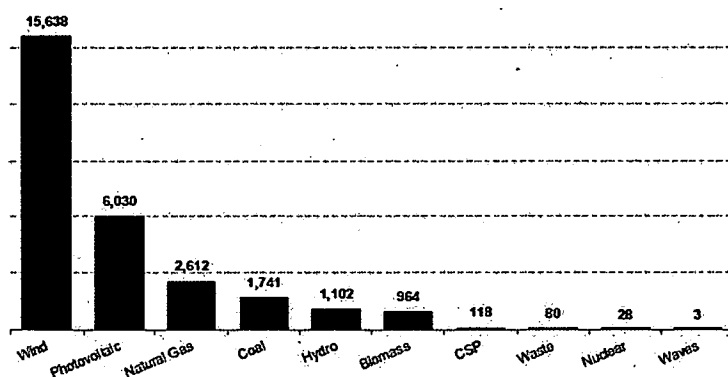
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

Review of the business

UK Renewable HoldCo 1 Limited (UKR1) is a holding company established as a platform to hold renewable energy investments within Europe. The Iberwind group, a regulated wind farm group based in Portugal, constitutes the trading companies of the group (see note 25 for details). The main business activity of the Iberwind group is: (1) the evaluation, development and operation of wind farms in Portugal; (2) the supply of services related to the development, study and building of wind farms; and (3) the provision of management services. The Iberwind group remains the only trading operations of UKR1 at the balance sheet date and so the strategic report primarily covers the trade activity of that group. UKR1 continues to look for future potential investments which could be acquired.

Market review

According to WindEurope, an association promoting and monitoring European wind farms, over 28.3 gigawatts (GW) of power generating units were installed in the countries of the European Union (EU) in 2017, of which 15.6 GW was wind energy (see graph below). This is an increase on wind energy GW installed in 2016 (12.5 GW). In percentage terms, wind energy accounts for 55.2% of the power facilities built in 2017 (51.0% in 2016). Renewable energy accounted for the installation of 23.9 GW in the EU in 2017, which is 13% up on 2016 and a large proportion of total new installed capacity, being 85% in 2017 and 86% in 2016.



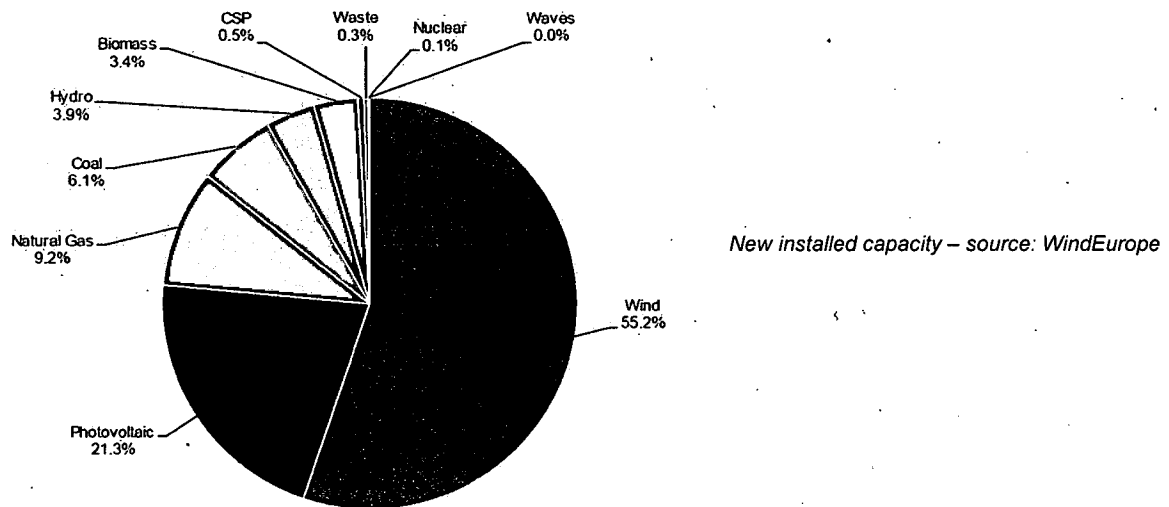
New installed capacity – source:
WindEurope

Strategic Report (continued)

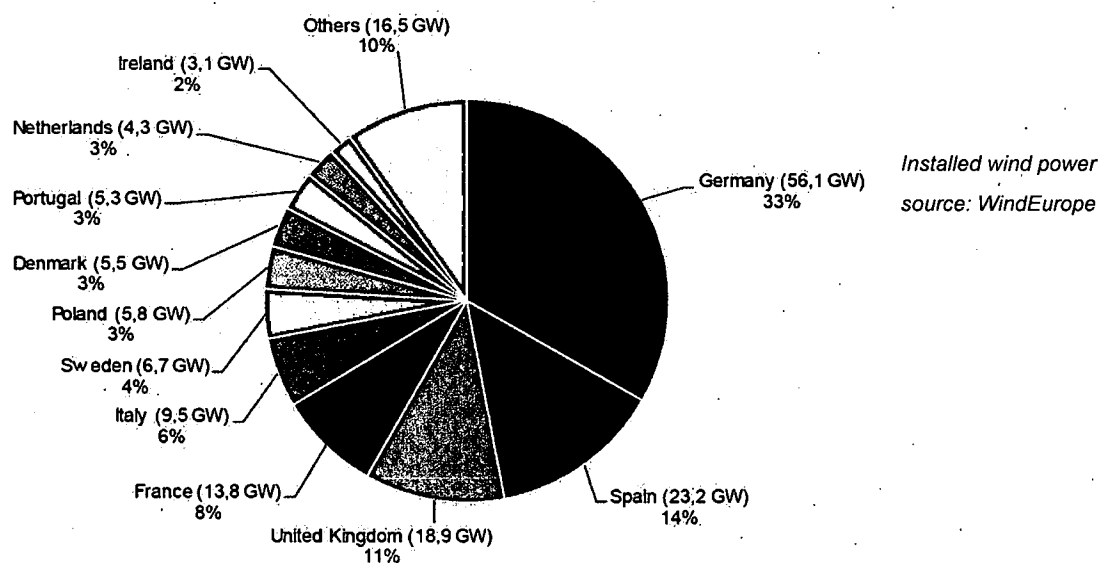
Market review (continued)

Breakdown of installed capacity in the EU in 2017

The chart below shows that in the calendar year 2017, over half of the energy capacity growth was within the wind farm industry.



Wind power annually installed in the European Community has been steadily developing and growing over the past fifteen years. The average annual growth over that period stands at 8.9%, taking the 5.9 GW installed in 2002 and 15.6 GW in 2017 as the benchmarks. Portugal is the ninth largest country of the EU in terms of installed wind power, as the following chart shows.



Strategic Report (continued)

Market review (continued)

Wind power connected to the public grid in Portugal remained consistent with the prior year, according to WindEurope, totalling 5,316 MW at 31 December 2017.

According to data from the Associação Portuguesa de Energias Renováveis (APREN), Portugal finished the year with an electricity generation total from renewable resources of 22.9 terawatts (TWh), while total generation was 54.5 TWh.

Wind power in Portugal contributed significantly in 2017 to the performance of the energy sector and complied with the goals for energy generation from renewable sources. It guaranteed about 22% of electricity production, according to data of APREN.

Group structure

UKR1 holds a 100% shareholding in UK Renewable HoldCo 2 Limited (UKR2), which in turn holds a 100% shareholding in UK Renewable HoldCo 3 (UKR3), both of which are UK based holding companies. UKR3 holds a 100% shareholding in Portugal Renewable Energy – Unipessoal Lda, the top company of the trading group. A full list of the subsidiaries is shown in note 25.

Financial and operational review

Operating profit

The consolidated operating profit of the group was €86.5 million (2016: 443 day period - €98.3 million), composed of:

- Revenue of €177.1 million (2016: 443 day period - €195.4 million), of which approximately 99% is generated by "sales", being the regulated income; and
- Expenses of €90.6 million (2016: 443 day period - €97.1 million), comprising:
 - 1> Cost of sales amounts to €24.3 million (2016: 443 day period - €27.6 million), in which the cost of maintenance of the wind farms, the rent of land where the wind farms and the headquarters are located and the premiums of insurance contracts are of particular relevance;
 - 2> Depreciation and amortisation of non-current assets of €53.7 million (2016: 443 day period - €59.1 million);
 - 3> Employee costs totalling €3.5 million (2016: 443 day period - €3.3 million), resulting from the salaries and related payroll costs; and
 - 4> Other costs within expenses amount to €9.1 million (2016: 443 day period - €7.1 million mainly being duties.

Strategic Report (continued)

Financial and operational review (continued)

Net financial costs

The following items are particularly significant in regards to the net financial costs for the period of €61.4 million (2016: 443 day period - €75.5 million);

- Gains of €0.4 million (2016: 443 day period - €0.2 million) as set out in note 2; and
- Financial costs of €61.4 million (2016: 443 day period - €75.7 million), as set out in note 2.

Balance sheet position

Total assets at the balance sheet date equated to €1,205.4 million (2016: - €1,272.6 million).

Key performance indicators (KPIs)

The key financial and non-financial KPIs, as used by the Board to monitor the group are shown below. All of the below KPI scores meet the expectation of the Board.

KPI	Year ended 31/12/17	443 day period ended 31/12/16
Turnover	€ 177.1m	€ 195.4m
Operating results	€ 86.5m	€ 98.3m
Achieve 18001 OSHAS certification for safety	Achieved	Achieved
Workers satisfaction	3.8 out of 5	3.7 out of 5.0

Turnover of € 0.49m per day in 2017 shows growth on the prior period (2016 - € 0.44m per day), due to 2017 being the first full year of production of various projects which contribute 127.9 GWh per annum and the associated tariff. This strong revenue performance combined with cost control means operating profits are up compared to prior year on a proportional basis.

The group continues to maintain high standards of safety with the retention of 18001 OSHAS certification. Worker satisfaction remains important to the group as can be evidenced by the workers satisfaction score which remains above the targeted 3.5 out of 5 in 2017 and shows improvement on the 2016 period.

Strategic Report (continued)

Principal risks and uncertainties

The three significant risks of the group are described below:

1> Regulated funding and compliance

The trade of PTRW is regulated and the risk exists that revenue and grants may reduce by a significant quantum. The risk of non-compliance with regulations exists which could lead to a potential fine of significance, as well as reputational damage.

To mitigate these potential risks, the group engages with the regulatory authorities to ensure it is fully aware of any proposed changes in funding and aware of the required regulations to which the group must adhere.

2> Employees

The success of the group depends to a significant extent on the contribution of its employees. Fair and effective recruitment, training and employee development are critical to the successful functioning and progression of the business. The ability to adapt in a climate of change is dependent on the appointment and retention of a high calibre, competent, flexible, quality conscious and customer focused workforce all of whom are committed to business success.

Mitigation of this risk is achieved by an employee planning strategy that includes the development of high calibre existing staff to increase retention, and succession planning in critical areas. Effective resourcing and selection processes also play a positive role in improving the image of the group in the community it serves.

3> Health and safety

There is a risk that an incident within the network leads to injury to an employee, contractor or a member of the general public. Any such incident could have an adverse effect on the reputation of the group, or lead to potential prosecution or reduced productivity.

To mitigate this the group has extensive knowledge of the appropriate health and safety legislation, backed up by appropriate policies and procedures to mitigate the risk of the group being responsible for any health and safety breaches.

Strategic Report (continued)

Financial risk management

The business is exposed to the following risk factors: (1) liquidity risk; (2) the risk of cash flows and fair values associated with interest rates; and (3) tariff risk.

1> Liquidity risk

The management of the liquidity risk implies maintaining cash and bank deposits at sufficient levels, ensuring the feasibility of the consolidation of floating debt through an adequate amount of credit facilities and the ability to settle market positions. The maturities of financial instruments are managed to ensure no concentration of renewal dates.

Further details of liquidity risk are provided within the Directors' Report under the going concern section.

2> Cash flow and fair value risks associated with interest rates

The group has no significant interest bearing assets but interest rate risk arises from long-term liabilities. Loans issued at variable rates expose the group to cash flow risks associated with interest rates. Loans issued at fixed rates expose it to fair value risk associated with interest rates.

The group manages the cash flow risk associated with interest rates by transforming variable interest rate swaps into fixed interest rate swaps. The interest rate swaps have the economic effect of converting variable interest rate loans into loans at fixed interest rates. Generally, the group contracts long-term loans at variable interest rates and performs swaps to transform them into fixed interest rates, which are less than those contracted in fixed interest rate loans.

3> Tariff risk

The special regime electricity generation sector, from renewable energy sources, has its tariffs regulated and so the risk of tariff fluctuations is controllable.

The Group has obtained all the necessary licences that allowed it to register its projects under Portuguese Law (Decree-Law 198/88 and Decree-Law 168/99, last amended by Decree-Law 339-C/2001 of 29 December 2001), which provides for a favourable tariff regime.

The subsidiary PEVB - Parque Eólico Vila do Bispo, Lda. - simultaneously undertook in 2011 the repowering and 20% over-equipping of the development it operates, under the provisions of Decree-Law 225/2007 of 31 May 2007, as amended by Decree-Law 51/2010 of 20 May 2010, remaining in the above-referred tariff scheme, despite bearing a reduction of 2.4%.

Strategic Report (continued)

Financial risk management (continued)

Publication of Decree-Law 35/2013 of February 28, gave wind energy developers the opportunity to subscribe to a new tariff scheme for the period after the expiry of guaranteed remuneration. The group is obliged under the Decree-Law which, through payment of €5,800 (2013 to 2020) per MW installed for 8 years, permits its operations to be remunerated for an additional period of 7 years. This additional remuneration will be at the market price of the preceding 12 months, with a minimum of €74/MWh and a maximum of €98/MWh.

Political donations

No political or charitable donations were made during the period.

Subsequent events

The directors are not aware of any events after the balance sheet date that need noting within the annual report and financial statements.

Future prospects

The directors expect the future prospects of the group to be consistent with the performance shown within this annual report and financial statements.

Approved by and by order of the Board



M J Horsley

Director

28 September 2018

Directors Report

for the year ended 31 December 2017

The directors present their annual report on the affairs of the group, together with the audited financial statements and auditor's report, for the year ended 31 December 2017. The following disclosures have been disclosed in the strategic report: business, market, financial and operational review including KPI's, financial risk management, principal risks and uncertainties, events after the balance sheet date and future prospects.

Directors

The directors, who served throughout the period and subsequently except as noted, were as follows:

- L S Chan
- H L Kam
- B Scarsella
- A J Hunter
- M J Horsley
- C Tsai

The daily operations of the business are managed by the senior management of PTRW. All significant decisions are referred to the Board of Directors. Norton Rose LLP act as company secretary.

Directors' insurance and indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity for the company was in force throughout the period.

Dividends

The directors do not recommend payment of a final dividend. Interim dividends of €7,292,750 were declared and paid in the year (prior 443 day period - €7,994,500).

Going concern

The group's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out above within the strategic report. The group is able to pay its liabilities as they fall due, due to the reliability of regulated revenue. The group is in a current liability position of €57.8m due to short-term borrowings of €72.2m (see note 14). The directors believe that they have adequate liquidity resources to pay its debts as they fall due.

Directors Report (continued)

Going concern (continued)

The directors have made enquiries and reviewed the forecasts, including sensitivity analysis and have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through both formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests. Some employees are eligible to receive an annual bonus related to the overall financial and operational performance of the group.

Auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. The directors will place a resolution before the annual general meeting to reappoint Deloitte LLP as auditor for the ensuing year.



M J Horsley, Director

28 September 2018

3 More London Riverside, London, SE1 2AQ

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of UK Renewable Holdco 1 (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED

Matters on which we are required to report by exception

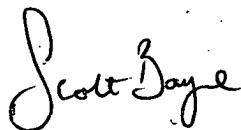
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Scott Bayne FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds United Kingdom

28 September 2018

Consolidated Income Statement

for the year ended 31 December 2017

	Notes	Year ended 2017 €'000	443 day period ended 2016 €'000
Revenue – sale of electricity	1	175,609	193,516
Revenue - other	1	1,524	1,884
Cost of sales		(24,278)	(27,616)
Depreciation and amortisation of non-current assets		(53,741)	(59,148)
Gross profit		99,114	108,636
Staff costs	4	(3,541)	(3,268)
Other operating expenses		(9,096)	(7,065)
Operating profit		86,477	98,303
Finance costs	2	(61,442)	(75,667)
Investment income	2	392	202
Profit on ordinary activities before taxation	3	25,427	22,838
Tax on profit on ordinary activities	5	(12,112)	(8,683)
Profit for the financial year / period		13,315	14,155
Attributable to owners of the company		11,803	12,407
Attributable to non-controlling interests		1,512	1,748
		13,315	14,155

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Year ended 2017 €'000	443 day period ended 2016 €'000
Profit for the financial year / period	13,315	14,155
Cash flow hedges – movement during the year / period (note 18)	24,875	15,604
Tax relating to components of other comprehensive income	(6,156)	(3,862)
	32,034	25,897
Attributable to owners of the company	30,522	24,149
Attributable to non-controlling interests	1,512	1,748
	32,034	25,897

The above results arise from continuing operations. The accompanying notes are an integral part of both the consolidated statement of income and comprehensive income.

Consolidated Balance Sheet

as at 31 December 2017

	Notes	2017 €'000	2016 €'000
Non-current assets			
Goodwill	7	77,468	77,468
Other Intangible assets	8	431,217	450,618
Property, plant and equipment	9	627,844	648,755
Deferred tax asset	21	25,144	31,356
		<u>1,161,673</u>	<u>1,208,197</u>
Current assets			
Trade and other receivables	11	34,248	39,980
Cash and cash equivalents		9,513	24,454
		<u>43,761</u>	<u>64,434</u>
Total assets		<u>1,205,434</u>	<u>1,272,631</u>
Current liabilities			
Trade and other payables	13	(16,192)	(16,306)
Corporation tax		(3,295)	(4,523)
Borrowings	14	(72,189)	(68,616)
Derivative financial liabilities	18	(9,882)	(110,663)
		<u>(101,558)</u>	<u>(200,108)</u>
Net current liabilities		<u>(57,797)</u>	<u>(135,674)</u>
Non-current liabilities			
Borrowings	14	(482,469)	(546,658)
Trade and other payables	13	(11,910)	(13,555)
Due to group companies	12	(250,700)	(250,000)
Derivative financial liabilities	18	(75,463)	
Deferred tax	21	(151,527)	(155,048)
Provisions	15	(3,000)	(1,855)
		<u>(975,069)</u>	<u>(967,116)</u>
Total liabilities		<u>(1,076,627)</u>	<u>(1,167,224)</u>
Net assets		<u>128,807</u>	<u>105,407</u>
Equity			
Called up share capital	16	-	-
Share premium account	16	78,500	78,500
Hedging reserve		30,461	11,742
Retained earnings		8,922	4,412
Equity attributable to owners of the company		<u>117,883</u>	<u>94,654</u>
Non-controlling Interest	17	<u>10,924</u>	<u>10,753</u>
Total equity		<u>128,807</u>	<u>105,407</u>

The accompanying notes are an integral part of this consolidated balance sheet.

The financial statements of UK Renewable HoldCo 1 Limited, Registered number 09775646, were approved by the Board of Directors and authorised for issue on 28 September 2018 and signed on its behalf by:



M J Horsley

Director

28 September 2018

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Notes	Called up share capital €'000	Share premium €'000	Hedging reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
At incorporation (14 September 2015)		-	-	-	-	-	-	-
New shares issued	16	-	78,500	-	-	78,500	-	78,500
Profit for the 443 day period		-	-	-	12,407	12,407	1,748	14,155
Other comprehensive income		-	-	11,742	-	11,742	-	11,742
Total comprehensive income		-	-	11,742	12,407	24,149	1,748	25,897
Dividends declared on equity share	6	-	-	-	(7,995)	(7,995)	-	(7,995)
Movement in non-controlling interest		-	-	-	-	-	10,351	10,351
Distribution of profits		-	-	-	-	-	(1,346)	(1,346)
At 31 December 2016		-	78,500	11,742	4,412	94,654	10,753	105,407
Profit for the year		-	-	-	11,803	11,803	1,512	13,315
Other comprehensive income		-	-	18,719	-	18,719	-	18,719
Total comprehensive income		-	-	18,719	11,803	30,522	1,512	32,034
Dividends declared on equity share	6	-	-	-	(7,293)	(7,293)	-	(7,293)
Distribution of profits		-	-	-	-	-	(1,341)	(1,341)
At 31 December 2017		-	78,500	30,461	8,922	117,883	10,924	128,807

Consolidated Cash Flow Statement

for the year ended 31 December 2017

	Notes	Year ended 2017 €'000	443 day period ended 2016 €'000
Operating activities			
Received from customers		216,380	234,780
Payments to trade creditors		(29,212)	(36,827)
Payments to employees		(1,575)	(1,864)
Payments of income tax		(22,496)	(20,200)
Other payments from operating activities		(34,210)	(43,509)
Cash inflow from operating activities	20	128,887	132,380
Investing activities			
Receipts from tangible and intangible fixed assets		57	65
Payments relating to financial investments		-	(162,290)
Payments relating to tangible and intangible fixed assets		(14,504)	(42,415)
Cash outflow from investing activities		(14,447)	(204,640)
Financing activities			
Receipts from borrowings		-	285,700
Issue of share capital		-	78,500
Interest receipts		48	190
Repayment of borrowings		(61,827)	(142,610)
Interest payments		(58,968)	(152,890)
Dividends to shareholders		(7,293)	(7,995)
Payments to minority interests		(1,341)	(1,345)
Cash out/inflow from financing activities		(129,381)	59,550
Net decrease in cash and cash equivalents		(14,941)	(12,710)
Cash acquired	7	-	37,164
Cash and cash equivalents at start of period		24,454	-
Cash and cash equivalents at end of period		9,513	24,454

Accounting Policies

for year ended 31 December 2017

General information

UKR1 (the company) is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is 3 More London Riverside, London, SE1 2AQ. The principal activities of the Company and its subsidiaries (the group) and the nature of the group's operations are set out in the strategic report from page 2.

The functional currency is considered to be Euros because that is the currency of the primary economic environment in which the group operates. The consolidated financial statements are also presented in Euros. Foreign operations are included in accordance with the provisions set on pages 21-22 (see basis of consolidation accounting policy).

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Accounting Policies (continued)

Basis of accounting (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

All derivative financial instruments are classified as level 2, goodwill is classified as level 3.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Accounting Policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting.

under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Accounting Policies (continued)

Going concern

The group is able to pay its liabilities as they fall due, due to the reliability of regulated revenue. The group is in a current liability position of €60.8m due to short-term borrowings of €72.2m (see note 14). The directors believe that they have adequate liquidity resources to pay its debts as they fall due. The directors have made enquiries and reviewed the forecasts, including sensitivity analysis and have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional

information being obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Accounting Policies (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is recognised in the income statement when the risks and rewards from ownership of the assets are transferred to the buyer and the amount of income can be reasonably quantified. Revenue is recognised on the sale of electricity with the risks and rewards deemed to be transferred once the energy is provided to the public grid. Revenue is recognised, net of taxes, discounts and other costs inherent to their realisation, at fair value of the amount received or receivable.

Accounting Policies (continued)

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives are recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Accounting Policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Accounting Policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost net of depreciation and impairment losses. The acquisition cost includes all expenditure directly attributable to the acquisition of the goods and their being made available at the indicated site and under the required operating conditions. The subsequent costs are included in the book value of the asset or recognised as separate assets, as appropriate, only when it is probable that the group will obtain future economic benefits and the cost of the asset can be reliably measured. All expenditure on repairs and maintenance are recognised as a cost in the period in which they are incurred. Tangible fixed assets in progress refer to fixed assets still undergoing construction and these are registered at acquisition cost net any impairment losses, and they are depreciated from the time when the investment projects are operationally ready.

Depreciation is calculated on the deemed cost or acquisition cost using the straight line method, according to the following periods of expected useful life of the assets:

	Useful life (years)
Land	n/a
Buildings	28
Equipment	
General equipment	8 and 28
Transport equipment	4 to 5
Tools and utensils	5 to 8
Office equipment	3 to 8

The residual values of assets and their useful lives are reviewed and adjusted, if necessary, on the balance sheet date. Gains or losses arising from the write-off or sale are determined by the difference between the proceeds received on disposals and the asset's book value and are recognised in the income statement as other income or other operating expenses.

Accounting Policies (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, being 28 years for licences, 3 years for software and between 1 and 28 years for land rights. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Intangible (assets under construction)

The group recognise an intangible asset (asset under construction which relates to a wind energy tariff scheme for the period after the expiry of guaranteed remuneration). The group is obliged under the Decree-Law which permits its operations to be remunerated for an additional period of 7 years.

Accounting Policies (continued)

Impairment of tangible and intangible assets excluding goodwill

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the group will account for such differences as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

Accounting Policies (continued)

Financial instruments (continued)

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Accounting Policies (continued)

Financial instruments (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Accounting Policies (continued)

Financial instruments (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reclassification of financial assets

The group has reclassified certain non-derivative financial assets out of held for trading (part of the FVPTL category) to AFS financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Accounting Policies (continued)

Financial instruments (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the group retains an option to repurchase part of a transferred asset), the group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 18.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Accounting Policies (continued)

Financial instruments (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Accounting Policies (continued)

Financial instruments (continued)

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

New standards, interpretations, amendments and reviews that came into force in the period

The following standards which have been endorsed by the European Union have been adopted for the first time in 2017. No significant impact was incurred as a consequence.

Standard / Interpretation	Application date
Amendment to IAS 12 - Recognition of deferred tax assets for unrealised losses	01-01-2017
Amendment to IAS 7 - Additional disclosures related to cash flows from financing activities	01-01-2017

New standards, interpretations, amendments and reviews coming into force in the future

The following standards will be adopted within future periods.

Standard / Interpretation	Application date
IFRS 9 - Financial instruments	01-01-2018
IFRS 15 - Revenue from contracts with customers	01-01-2018
IFRS 16 - Leases	01-01-2019
Clarifications on IFRS 15 - Revenue from contracts with customers	01-01-2018
Amendments to IFRS 4: Application of IFRS 9, Financial instruments, with IFRS 4, Insurance contracts	01-01-2018

Although the below standards are endorsed by the European Union they were not adopted in 2017 because application is not mandatory.

New standards, interpretations, amendments and reviews coming into force in the future (continued)

None of these standards will have a significant impact on the group with the exception of IFRS 16, with the impact at 1 January 2018 being estimated as:

Amounts in Euros millions	
Assets	16,9
Liabilities	19,7
Equity	(2,8)

Standards, interpretations, amendments and reviews not yet endorsed by the European Union

The following standards with mandatory adoption in the future have not been endorsed by the European Union, and so have not been applied within these accounts. They will not have a significant impact if endorsed.

Standard / Interpretation	Application date
IFRS 17 - Insurance Contracts	01-01-2021
Amendments to IFRS 2: Classification and measurement of payment transactions in shares	01-01-2018
Amendment to IAS 40: Transfers of investment property	01-01-2018
Improvements to international financial reporting standards (2014-2016 cycle)	
IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions	01-01-2018
IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5	01-01-2017
IAS 28 - Investments in associates and joint ventures: introduces clarifications on the measurement at fair value of results of investments in associates or joint ventures held by venture capital companies or investment funds.	01-01-2018
Improvements to international financial reporting standards (2015-2017 cycle)	
IFRS 3 - Concentration of business activities: require remeasurement of interests previously held when an entity obtains control over an investee over which it previously had joint control	01-01-2019
IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint operation	01-01-2019
IAS 12 - Income Tax: clarifies that all tax consequences of dividends must be recorded in profit or loss, regardless of how the tax arises	01-01-2019
IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has become ready for the intended use, is considered an integral part of the entity's general financing, for the purpose of determining the capitalisation rate	01-01-2019
Amendment to IFRS 9: Prepayment features with negative compensation	01-01-2019
Amendment to IAS 28: Long-term investments in associates and joint agreements	01-01-2019
IFRIC 22 - Transactions in foreign currency including advances for purchase of assets	01-01-2018
IFRIC 23 - Uncertainties in the treatment of income tax	01-01-2019

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

for the year ended 31 December 2017

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Fair value of derivative financial instruments

The fair value is based on market prices set by external parties who use generally accepted future cash flow discount techniques, refer to note 18 for explanation of the methodology used, significant judgements and sensitivity analysis.

Dilapidation provision

The management estimates that the liabilities which may arise from the obligation to dismantle wind farms at the end of their useful life will be offset by the residual value of the equipment, which is why it has not considered any residual value for the equipment or made any provision for decommissioning based on historical experience.

Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements

1 Revenue

The group's turnover is generated from continuing operations, wholly from within Portugal. Over 99% of turnover comes from the sale of electricity generated from windfarms and therefore it is deemed to have one operating segment. Other turnover comes predominately from government grants, obtained in relation to wind farm activities described within the strategic report on page 2.

	Year ended 2017 €'000	443 day period ended 2016 €'000
Turnover – sale of electricity	175,609	193,516
Turnover - other	1,524	1,884
	<u>177,133</u>	<u>195,400</u>

2 Finance costs

	Year ended 2017 €'000	443 day period ended 2016 €'000
Finance costs		
Bank and bond loans	15,444	20,893
Fair value movement on financial instruments	25,048	31,069
Shareholder loans	20,157	22,521
Bank charges	793	1,184
	<u>61,442</u>	<u>75,667</u>
Investment income		
Interest on financial investments	(48)	(190)
Other interest receipts	-	(12)
Gains on derivatives (see note 18)	(344)	-
	<u>(392)</u>	<u>(202)</u>
Net finance costs	<u>61,050</u>	<u>75,465</u>

Notes to the Financial Statements (continued)

3 Profit on ordinary activities before taxation

	Year ended 2017 €'000	443 day period ended 2016 €'000
Profit for the period has been arrived at after charging/(crediting)		
(Loss)/profit on sale of property, plant and equipment	(353)	153
Lease operating costs – land and buildings	2,030	1,913
Depreciation of property, plant and equipment	29,950	32,508
Amortisation of other intangible assets	23,790	26,640
Staff costs (note 4)	3,541	3,268
Fees payable to the auditor		
Audit of company and consolidation	19	19
Audit of subsidiary companies	64	59
Total audit fees	83	78
Other assurance services (and total of non-audit fees)	2	12
Total fees	85	90

4 Staff costs

	Year ended 2017 €'000	443 day period ended 2016 €'000
Wages and salaries	2,795	2,203
Social security costs	639	548
Other employee costs	107	517
	3,541	3,268
The average monthly number of employee including directors was:	Number	Number
Directors	8	8
Employees	59	58
Total	67	66

Only one of the directors is remunerated through the group, being therefore the highest paid director as detailed below:

Emoluments	877	400
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There have been no transactions with the directors other than remuneration. The other directors are remunerated through other group companies. It is not practical to allocate costs to this company.

Notes to the Financial Statements (continued)

5 Tax on profit on ordinary activities

	Year ended 2017 €'000	443 day period ended 2016 €'000
The tax charge comprises:		
Corporation tax		
Current period	15,716	13,999
Adjustment in respect of prior periods	(136)	-
	<u>15,580</u>	<u>13,999</u>
Deferred tax		
Current period – origination and reversal of timing differences	(3,468)	(5,316)
Total tax on profit on ordinary activities	<u>12,112</u>	<u>8,683</u>

The difference between the total tax shown and the amount calculated by applying the standard rate of local tax to the profit before tax is as follows:

	Year ended 2017 €'000	443 day period ended 2016 €'000
Group profit on ordinary activities before tax	<u>25,427</u>	<u>22,838</u>
Tax on profits at the expected rate within Portugal (25.5%)	6,484	5,824
Effects of:		
Expenses not deductible for tax purposes	5,734	3,337
Differences in tax rates	(106)	(478)
Group total tax charge for the period	<u>12,112</u>	<u>8,683</u>

The group earns its profits in Portugal and so the standard rate of tax within Portugal is applied (25.5%). In addition to the amount charged to the income statement, a tax charge of €6,157,000 (2016 - €3,862,000) has been recognised in other comprehensive income in relation to cash flow hedge movements.

6 Dividends

	Year ended 2017 €'000	443 day period ended 2016 €'000
Amounts recognised as distributions to equity holders in the period:		
interim dividend paid of €1,823,188 (2016 - €1,998,625) per ordinary share	<u>7,293</u>	<u>7,995</u>

The interim dividend was Board approved on 25 January 2017 (2016 - 20 September).

Notes to the Financial Statements (continued)

7 Goodwill

	2017 €'000	2016 €'000
<u>Cost and carrying amount:</u>		
Goodwill as at 31 December 2016 and 31 December 2017	77,468	77,468

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. No impairment has been needed in the period. Goodwill arose following the acquisition of 100% of the issued share capital of Iberwind, SA in the prior period. The following table sets out the fair values of the identifiable assets and liabilities acquired, the fair value of total consideration and the resulting intangible assets and goodwill.

	Fair value to group €'000
Net assets acquired:	
Tangible fixed assets	644,603
Trade debtors	17,335
Cash	37,164
Other debtors	22,073
Intangible assets	381,645
Provisions	(1,855)
Deferred tax liability	(33,909)
Trade creditors	(2,947)
Bank loans	(21,690)
Bonds	(640,662)
Other net debt taken on	(295,282)
Other creditors	(11,506)
	94,969
Consideration:	
Consideration cash	286,914
Shareholder loans	(124,624)
Non-controlling interest	10,147
	172,437
Leading to the creation of:	
Goodwill	77,468

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) or group of units that are expected to benefit from that business combination. There are 37 individual CGU's being each of the separate windfarms. The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to revenue and costs during the period of review, details of which can be found along with sensitivity applied, within the critical accounting judgements and key sources of estimation uncertainty.

Notes to the Financial Statements (continued)

7 Goodwill (continued)

The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was €77.5million. In making this estimation the following assumptions have been made:

- A discount rate of 6.41% has been applied, being the weighted average cost of capital applicable to the group; and
- It has been assumed that cash generation is consistent with that of the past period, subject to known future tariff variances.

Due to the significant headroom in carrying value no sensitivity is deemed necessary by the directors.

8 Other intangible assets

	€'000	€'000	€'000	€'000	€'000
	Software	Licences tariff	Land rights	Assets under construction	Total
At 31 December 2016	434	459,885	1,389	15,890	477,598
Additions	58	-	-	4,379	4,437
Write offs	-	-	-	(48)	(48)
At 31 December 2017	492	459,885	1,389	20,221	481,987
Amortisation					
At 31 December 2016	(359)	(26,611)	(10)	-	(26,980)
Charge in period	(32)	(23,747)	(11)	-	(23,790)
At 31 December 2017	(391)	(50,358)	(21)	-	(50,770)
Carrying amount					
At 31 December 2016	75	433,274	1,379	15,890	450,618
At 31 December 2017	101	409,527	1,368	20,221	431,217

Licence tariff

Corresponds to the value attributed to the licences held by the group and the guaranteed tariff it holds for the sale of the electricity produced.

Assets under construction

Relates to a wind energy tariff scheme for the period after the expiry of guaranteed remuneration. The group is obliged under the Decree-Law which permits its operations to be remunerated for an additional period of 7 years.

Land rights

Relate to a license which allows the group access to private land and the right to operating windfarms.

Notes to the Financial Statements (continued)

9 Property, plant and equipment

	€'000	€'000	€'000	€'000	€'000
	Land	Buildings	Equipment	Assets under construction	Total
Cost					
At 31 December 2016	132	292	1,253,245	1,888	1,255,557
Additions	335	1,006	1,740	6,368	9,449
Disposals	-	-	(9,914)	-	(9,914)
Transfers	-	-	8,187	(8,187)	-
At 31 December 2017	467	1,298	1,253,258	69	1,255,092
Depreciation					
At 31 December 2016	-	(197)	(606,605)	-	(606,802)
Charge in period	-	(90)	(29,860)	-	(29,950)
Disposals	-	-	9,504	-	9,504
At 31 December 2017	-	(287)	(626,961)	-	(627,248)
Net book value					
At 31 December 2016	132	95	646,640	1,888	648,755
At 31 December 2017	467	1,011	626,297	69	627,844

10 Subsidiaries

The group consists of a parent company, UK Renewable HoldCo 1 Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by UK Renewable HoldCo 1 Limited.

The immediate subsidiary of UK Renewable HoldCo 1 Limited, is UK Renewable HoldCo 2 Limited, the immediate subsidiary of which is UK Renewable HoldCo 3 Limited. Both of these companies are incorporated in the UK, are 100% owned by UK Renewable HoldCo 1 Limited, and have a registered address of 3 More London Riverside, London, SE1 2AQ.

The subsidiaries of UK Renewable HoldCo 3 Limited operate in Portugal. Note 25 to the company's separate financial statements lists details of all the subsidiaries.

Notes to the Financial Statements (continued)

11 Trade and other receivables

	2017 €'000	2016 €'000
Receivable for the sale of goods	12,169	14,912
Prepayments and accrued income	21,343	24,116
Other debtors	736	952
	<u>34,248</u>	<u>39,980</u>

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Receivable for the sale of goods of €12,169,000 (2016 - €14,912,000) can be aged as follows: due to terms within 90 days €12,169,000 – (2016 - €14,861,000) and not due to terms €nil (2016 - €51,000). No provision for doubtful debt is held at the balance sheet date.

12 Due to group companies

	2017 €'000	2016 €'000
Shareholder loans	<u>250,700</u>	<u>250,000</u>

Shareholder loans mature in 2035 and carry interest of 8.0% payable annually. The loans are held with Well Diamond Development Limited (€125,350,000 and €125,000,000 at 31 December 2016) and with Good Chain Investment Limited (€125,350,000 and €125,000,000 at 31 December 2016), being the two parent companies of UKR1.

Notes to the Financial Statements (continued)

13 Trade and other payables

	2017 €'000	2016 €'000
Current liabilities		
Trade creditors	3,780	3,524
Accruals and deferred income	8,546	7,999
Other taxes	3,657	4,546
Other creditors	209	237
	<u>16,192</u>	<u>16,306</u>
Non-current liabilities		
Accruals and deferred income	11,453	12,917
Other creditors	457	638
	<u>11,910</u>	<u>13,555</u>
Total	28,102	29,861

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

14 Borrowings

	2017 €'000	2016 €'000
Current liabilities		
Bank loans	11,190	10,885
Syndicated loans	60,999	57,731
	<u>72,189</u>	<u>68,616</u>
Non-current liabilities		
Bank loans	3,532	6,772
Syndicated loans	478,937	539,886
	<u>482,469</u>	<u>546,658</u>
Total	554,658	615,274

Bank loans

Bank loans mature in 2019 and 2020 and are repayable in half-yearly instalments, earning interest at a rate tied to the 6-month Euribor rate plus a margin. They are recognised at amortised cost and no material difference to the market value is considered to exist, since they are loans that bear interest at a rate tied to Euribor.

Syndicated loans

The syndicated loans mature in 2025 and 2026 and are repayable between now and the point of maturity. They are repayable in half yearly instalments bearing interest at a rate indexed to the 6-month Euribor plus a margin. They are recognised at amortised cost and no material difference to the market value is considered to exist, since they are loans that bear interest at a rate tied to Euribor.

Notes to the Financial Statements (continued)

15 Provisions

	€'000
New provision established	3,000
Utilised in year	(1,855)
At 31 December 2016	1,855
At 31 December 2017	3,000

The provision relates to potential corporation tax payments in relation to 2014. The timing of the utilisation is inherently uncertain although the directors expect that such utilisation will occur mainly beyond one year from the balance sheet date.

16 Called up share capital and reserves

Share capital and share premium

	€'000
Allotted, called-up, authorised and fully-paid shares:	
4 ordinary shares of €1	-
Share premium	78,500

The Company has one class of ordinary shares which carry no right to fixed income. During the period one ordinary share of €1 was issued for €78,500,000. Share premium of €78,499,999 was created on issue of the one share, being the excess paid above the nominal value.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Retained earnings

Retained earnings are the accumulative earning retained by the group.

Notes to the Financial Statements (continued)

17 Non-controlling interest

Non-controlling interests relate to the following group investments:

Company name	Shareholding	Contribution to total equity	
		2017 €'000	2016 €'000
Monte Agraço-Energias Alternativas, Lda.	75.000%	3,827	3,699
ENTREVENTOS-Energias Renováveis, S.A.	51.001%	7,097	7,054
		10,924	10,753

The directors do not deem the non-controlling interests material to the group and as such the assets and income statements of these subsidiaries have not been disclosed.

18 Derivatives and other financial instruments

Analysis of derivatives	2017 €'000	2016 €'000
Amounts due within one year:		
Derivatives measured through the statement of income account: SWAPS	(9,123)	(109,559)
Derivatives that are designated and effective as hedge instruments: SWAPS	(759)	(1,104)
	(9,882)	(110,663)
Amounts due after more than one year:		
Derivatives measured through the statement of income accounts: SWAPS	(75,463)	-
Derivatives that are designated and effective as hedge instruments: SWAPS	-	-
	(75,463)	-
Total	(85,345)	(110,663)

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of net debt (borrowings disclosed in note 14 and note 12 after deducting cash and bank balances) and equity of the group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in the balance sheet).

The group is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

Notes to the Financial Statements (continued)

18 Derivatives and other financial instruments (continued)

Classification of financial instruments

	2017 €'000	2016 €'000
Financial assets		
Cash	9,513	24,454
Loans and receivables	34,248	39,980
Financial liabilities		
Derivatives measured through the statement of income	(84,586)	(109,559)
Derivatives that are designated and effective as hedge instruments	(759)	(1,104)
Loans and bonds	(554,658)	(615,274)
Trade payables	(28,102)	(29,861)

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Year ended 2017 €'000	443 day period ended 2016 €'000
Interest income and expense on items at amortised cost		
Total interest payable on financial liabilities at amortised cost	(36,394)	(43,563)
Total interest receivable on financial assets at amortised cost	48	11
	(36,346)	(43,552)
Interest income and expense on derivatives		
Total interest payable on financial liabilities designated in an effective hedging relationship	(24,704)	(29,981)
	(24,704)	(29,981)
Fair value gains and losses		
On financial liabilities measured at fair value through the statement of income	-	(1,089)
	-	(1,089)
Total	(61,050)	(74,622)

Financial risk management objectives

Liquidity risk

The management of the liquidity risk implies maintaining cash and bank deposits at sufficient levels, ensuring the feasibility of the consolidation of floating debt through an adequate amount of credit facilities and the ability to settle market positions. The maturities of financial instruments are managed to ensure no concentration of renewal dates.

Notes to the Financial Statements (continued)

18 Derivatives and other financial instruments (continued)

Financial risk management objectives (continued)

Cash flow and fair value risks associated with interest rates

The group has no significant interest bearing assets but interest rate risk arises from long-term loans. Loans issued at variable rates expose the group to cash flow risks associated with interest rates. Loans issued at fixed rates expose it to fair value risk associated with interest rates.

The group manages the cash flow risk associated with interest rates by transforming variable interest rate swaps into fixed interest rates swaps. The interest rate swaps have the economic effect of converting variable interest rate loans into loans at fixed interest rates. Generally, the group contracts long-term loans at variable interest rates and performs swaps to transform them into fixed interest rates, which are less than those contracted in fixed interest rates loans.

Sensitivity analysis

The fair value of derivatives is based on market prices set by external parties who use generally accepted future cash flow discount techniques. No judgement, other than to use the prices obtained from set external parties is made. As such sensitivity analysis is not performed.

Value-at-risk (VaR) analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The directors do not consider the methodology to be suited to the group, adding no control over risk, and as such no VaR has been performed for the period.

Interest rate swap contracts

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Notes to the Financial Statements (continued)

18 Derivatives and other financial instruments (continued)

Interest rate swap contracts (continued)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Cash flow hedge

The fair value of derivatives at the balance sheet date was:

	Average contract fixed interest rate		Fair value		Notional principal value	
	2017 %	2016 %	2017 €'000	2016 €'000	2017 €'000	2016 €'000
SWAPS	4.03	4.16	(85,345)	(110,663)	513,217	569,527
			(85,345)	(110,663)	513,217	569,527

The above profile is based on the maturity date of the facility, whereas the profile within the balance sheet is based on the current terms of the facilities which renew throughout the period to maturity.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values:

	Fair value		Carrying value	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Shareholder loans	(291,974)	(292,966)	(250,700)	(250,000)

The fair value of the shareholder loans was calculated using the discounted cash flow method (6.41% applied).

Notes to the Financial Statements (continued)

19 Commitments

The commitments to third parties at 31 December 2017 and 31 December 2016 were as follows:

	2017 €'000	2016 €'000
Lease commitments - land and buildings	646	830
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Expiry date:		
within one year	192	192
1-2 years	150	192
2-5 years	304	446
	<u>646</u>	<u>830</u>

20 Notes to the cash flow

Reconciliation of operating profit to cash flow from operating from operating activities

	Year ended 2017 €'000	443 day period ended 2016 €'000
Operating profit	86,477	98,303
Depreciation / amortisation	53,741	59,148
(Loss) / profit on sale of fixed assets	(353)	153
Payment of income tax	(22,496)	(20,200)
Movement in creditors	6,002	(5,224)
Movement in debtors	5,516	200
	<u>128,887</u>	<u>132,380</u>

Analysis of movement in net debt

	€'000	€'000	€'000	€'000
	31 December 2016	Cash movements	Non cash movements	31 December 2017
Cash and cash equivalents	24,454	(14,941)	-	9,513
Bank loans	(17,657)	2,935	-	(14,722)
Bonds	(597,617)	58,892	(1,211)	(539,936)
	<u>(615,274)</u>	<u>61,827</u>	<u>(1,211)</u>	<u>(554,658)</u>
Net debt	<u>(590,820)</u>	<u>46,886</u>	<u>(1,211)</u>	<u>(545,145)</u>

Notes to the Financial Statements (continued)

21 Deferred tax

Deferred tax movements across the period is as shown below:

	€'000	€'000	€'000
Deferred tax balance sheet analysis:	Deferred tax asset	Deferred tax liability	Net
At 31 December 2016	31,356	(155,048)	(123,692)
Credited to profit and loss	(53)	3,521	3,468
Charged to other comprehensive income	(6,159)	-	(6,159)
At 31 December 2017	25,144	(151,527)	(126,383)

Further analysis:	€'000	€'000	€'000	€'000	€'000
	Tax losses	On property plant and equipment	Fair value of SWAPS	Other	Total
At 31 December 2016	259	(152,962)	27,071	1,940	(123,692)
Credited to profit and loss	-	(2,244)	(86)	5,798	3,468
Charged to other comprehensive income	(3)	-	(6,156)	-	(6,159)
At 31 December 2017	256	(155,206)	20,829	7,738	(126,383)

"Other" includes that created on the revaluation of tangible fixed assets at acquisition and the fair value movement of swaps.

22 Related party transactions

Intercompany loans of €250,000,000 are held with Well Diamond Development Limited (€125,000,000) and with Good Chain Investment Limited (€125,000,000), being the two parent companies of UKR1. Interest charged on these loans within the period was €22,520,000.

Notes to the Financial Statements (continued)

23 Contingent liabilities

The Tax and Customs Authority within Portugal, stated that it believes the wind turbines and substations that make up wind farms within the group are regarded as real estate properties for the purpose of real estate tax. Having discussed the matter with various tax experts the directors of the company disagree with this view and have not quantified the potential risk.

Other commitments cover a variety of contractual obligations, the timing of payments of which cannot be established in all cases. The directors above values to be the fair value of the minimum lease payments. Of the total value of other commitments of €2.6m, €2.5m relates to amounts committed to Direcção Geral dos Impostos in relation to income tax from 2011 and 2012.

24 Ultimate controlling party

Well Diamond Development Limited and Good Chain Investment Limited each hold a 50% holding in the group. The ultimate parent undertakings and registered offices are shown below.

Shareholder

Ultimate parent undertaking

Well Diamond Development Limited

CK Hutchison Holdings Limited

Registered office: Clarendon Office, HM11, Bermuda

Good Chain investment Limited

Power Assets Holdings Limited

Registered office: Hutchison House, 10 Harcourt Road, Hong Kong

Company Balance Sheet

as at 31 December 2017

	Notes	2017 €'000	2016 €'000
Non-current assets			
Investments	25	328,500	328,500
Current assets			
Due from group companies	27	557	2,004
Cash and cash equivalents		1	20
		<u>558</u>	<u>2,024</u>
Total assets		<u>329,058</u>	<u>330,524</u>
Current liabilities			
Trade and other payables	28	<u>(2,513)</u>	<u>(35)</u>
Net current assets		<u>(1,955)</u>	<u>1,989</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	27	<u>(250,700)</u>	<u>(250,000)</u>
Total liabilities		<u>(253,213)</u>	<u>(250,035)</u>
Net assets		<u>75,845</u>	<u>80,489</u>
Equity			
Called up share capital	29	-	-
Share premium account	29	78,500	78,500
Retained earnings		<u>(2,655)</u>	<u>1,989</u>
Equity attributable to owners of the company		<u>75,845</u>	<u>80,489</u>

As permitted by Section 408 of the Companies Act 2016, no separate statement of income or statement of comprehensive income of the company is presented. The profit for the financial period of the parent company was €2,649,000 (2016 - €9,984,000) and total comprehensive income was €2,649,000 (2016 - €9,984,000).

The accompanying notes are an integral part of this consolidated balance sheet.

The financial statements of UK Renewable HoldCo 1 Limited, Registered number 09775646, were approved by the Board of Directors and authorised for issue on 28 September 2018 and signed on its behalf by:



M J Horsley, Director

28 September 2018

Company Statement of Change in Equity

for the year ended 31 December 2017

	Notes	Called up share capital €'000	Share premium €'000	Retained earnings €'000	Total €'000
At incorporation (14 September 2015)		-	-	-	-
New shares issued	29	-	78,500	-	78,500
Dividends declared on equity shares	6	-	-	(7,995)	(7,995)
Total comprehensive income		-	-	9,984	9,984
At 31 December 2016		-	78,500	1,989	80,489
Dividends declared on equity shares	6	-	-	(7,293)	(7,293)
Total comprehensive income		-	-	2,649	2,649
At 31 December 2017		-	78,500	(2,655)	75,845

Accounting Policies Applicable to the Company

for the year ended 31 December 2017

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 13 December 2018.

Where required, equivalent disclosures are given in the consolidated financial statements. The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

Notes to the Company Financial Statements

25 Investments

	2017 €'000	2016 €'000
Subsidiary undertakings	328,500	328,500

Subsidiaries represent a 100% holding in the ordinary share capital of UK Renewable Holdco 2 Limited and UK Renewable Holdco 3 Limited. Both companies principal activity is to act as a holding company, and both were incorporated in the United Kingdom and registered in England and Wales. UK Renewable Holdco 3 Limited is the parent company of:

Company name	Location	Activity	Shareholding
Portugal Renewable Energy	Algés	Holding company	100.000%
IBERWIND - Desenvolvimento e Projectos, S.A.	Algés	Renewable energy	100.000%
IBERWIND II Produção - Soc. Unip., Lda	Rio Maior	Renewable energy	100.000%
Iberwind III Produção, S.A.	Algés	Renewable energy	100.000%
Bússola Vanguarda - Parque Eólico Unipessoal, Lda.	Algés	Renewable energy	100.000%
Persisteverde - Parque Eólico, Unipessoal, Lda.	Algés	Renewable energy	100.000%
Espiral Elementar - Parque Eólico, Unipessoal, Lda.	Algés	Renewable energy	100.000%
PESM - Parque Eólico da Serra das Meadas, S.A.	Lamego	Renewable energy	100.000%
PESL - Parque Eólico da Serra do Larouco S.A.	Montalegre	Renewable energy	100.000%
ENERFLORA - Produção de Energia Eléctrica, Lda	Mafra	Renewable energy	100.000%
PEVB-Parque Eólico Vila do Bispo, Lda	Vila do Bispo	Renewable energy	100.000%
PECF - Parque Eólico de Chão Falcão, Lda	Porto Mós	Renewable energy	100.000%
PEL-Parque Eólico da Lousã, Lda	Penela	Renewable energy	100.000%
Parque Eólico de Trevim, Lda	Lousã	Renewable energy	100.000%
PESB - Parque Eólico da Serra de Bornes, S.A	Alfândega-da-Fé	Renewable energy	100.000%
HIDROMARÃO-Sociedade Produtora de Energia, S.A	Vila Real	Renewable energy	100.000%
Monte Agraço-Energias Alternativas, Lda.	Monte Agraço	Renewable energy	75.000%
ENTREVENTOS-Energias Renováveis, S.A.	Coimbra	Renewable energy	51.001%
Parque de Pampilhosa da Serra, S.A.	Pampilhosa da Serra	Renewable energy	100.000%
Parque Eólico de Malhadas Góis, S.A.	Pampilhosa da Serra	Renewable energy	100.000%
PESB II, Sociedade Unipessoal, Lda.	Algés	Renewable energy	100.000%
PETM - Sociedade Unipessoal, Lda.	Algés	Renewable energy	100.000%
Parque Eólico de Trevim II, Soc. Unipessoal, Lda.	Algés	Renewable energy	100.000%
Poderosa Equação - Parque Eólico, Unipessoal, Lda.	Algés	Renewable energy	100.000%

The above companies have a registered address of: Rua Joao Chagas No53, Piso, Freguesia de Alges, Alges

Notes to the Company Financial Statements (continued)

25 Investments (continued)

Profits arising from non-controlling interests total €1,512,000 (2016 - €1,748,000). Details of non-controlling interests can be found in note 17.

26 Profit for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own statement of income or statement of other comprehensive income for the period. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 3 to the consolidated financial statements.

27 Due from group companies

	2017 €'000	2016 €'000
Current assets		
Due from parent companies	557	2,004
Non-current liabilities		
Shareholder loans	(250,700)	(250,000)

No interest was applied to 'due from parent companies'. The balance has been settled prior to the signing of these financial statements.

Shareholder loans mature in 2035 and carry interest of 8.0% payable annually. The loans are held with Well Diamond Development Limited (€125,350,000) and with Good Chain Investment Limited (€125,350,000), being the two parent companies of UKR1.

28 Trade and other payables

	2017 €'000	2016 €'000
Accruals and deferred income	2,513	35

Notes to the Company Financial Statements (continued)

29 Called up share capital and reserves

Share capital and share premium

	2017 €'000	2016 €'000
Allotted, called-up and fully-paid share:		
1 ordinary share of €1	-	-
Share premium account	78,500	78,500

The Company has one class of ordinary share which carries no right to fixed income. During the prior period one ordinary share of €1 was issued for €78,500,000. Share premium of €78,499,999 was created on issue of the one share, being the excess paid above the nominal value.

Retained earnings

Retained earnings are the accumulative earning retained by the company.